

Oil experts believe that refineries in Croatia Sisak and Bosnia Bosanski Brod could be closed, considering to the fact that the modernized refineries in Croatia Rijeka (INA MOL) and Serbia Pancevo (GazpromNeft NIS) are sufficient for the market of the former Yugoslavia. GazpromNeft owns the NIS Oil industry of Serbia company and invested significant capital in modernization of its Pancevo refinery, parallel with that managed to expand strongly to Bosnian market and targeting even Croatia retail market.

The possibility of refinery's closure in Sisak was mentioned by a member of the Board of MOL Ferenc Horvath when explaining that the refinery's capacities are several times higher than the actual market needs. The oil consultant and former head of the company INA Davor Stern considers that a decision of the future of the refineries in Croatia should be made by Management Board of INA, based on professional rather than political assessments and indicators and also that its decision should be represented at the shareholders. Stern warns that for decline in industrial consumption, decrease the consumption of oil products as well, and INA's refineries currently have overcapacity. It is, says Stern, similar to the general situation in Europe, where the companies faced with surplus of refineries' capacities.

In light of the current announcements with the possibility of closing one of the refineries, most frequently mentioned Sisak, Stern says that the current investment in that refinery cannot be justified. However, is not a reason or excuse for the lack of investment in INA because the company has a lot of matters which should be improved.

Expert in the refinery business and the former head of refining at INA, Emir Ceric also considers the possibility of the refinery's closure realistic, according to the loss of markets and the decline in consumption. Borderline level of profitability of the refinery operation is processing of 4.5 to 5 million tons per year, considering that a very little or no share of refining products which are related to the fuel oil, said Ceric. He believes that this level could be reached by refinery in Rijeka, if modernized, but notes it very unlikely to happen. He explains that the Hungarians from the beginning of their involvement in INA, and especially since they have a key management rights, observe INA as part of MOL and that the level of MOL but not INA, they optimize refineries processing. This means that they are processing only where there is a possibility of "deep" processing to obtain large quantities of high-quality derivatives, and this is not the case of INA refineries, says Ceric.

The profitability of INA's refineries was possible with the price of oil of 60 dollars per barrel, and now it's around 100 dollars, he added. He mentioned also the large fixed costs of INA's refineries resulting from overstaffing and high personal consumption. The solution for INA according his opinion, finishing of modernization of refinery in Rijeka, which would in accordance with penetration in Slovenian and Bosnia and Herzegovina's markets, could ensure profitability. In terms of the Sisak refinery, he is pessimistic. He believes that it could be closed, as well as the refinery in Bosanski Brod, because modernized refineries in

Rijeka and Pancevo would be sufficient for the markets of the former Yugoslavia.  
Source; Serbia Energy